

Regional and global patterns of insertion in value chains: evidence for Brazil

Topic: Classical IO applications: Trade and GVCs

Author: Inácio Fernandes de Araújo Jr

Co-Authors: Fernando Salgueiro Perobelli, Weslem Rodrigues Faria

This paper contributes to a better understanding of the different forms of insertion in global value chains.

The study performs a spatial decomposition of foreign value added inserted in global value chains. We introduce a measure of upstream integration in production chains based on the value added that each country provides in the initial stages for the global production of final goods. Thus, the regional and global insertion patterns are analyzed through the geographic extension of the production stages.

In this study, the focus of the analysis is the Brazilian economy, since its pattern of insertion in international trade is marked by distinct characteristics when considering its global or regional integration. For this purpose, the value added in Brazilian production is decomposed using an interregional input-output model for the period from 1990 to 2015.

The main results show that the insertion into the value chains occurs differently when considering their geographical scope and their upstream and downstream production stages. We also show that Brazil is relatively closed to international trade and little inserted in global production chains. The downstream and upstream insertion of Brazil in value chains is driven mainly by the global fragmentation of production. However, regional insertion has increased more than global insertion.